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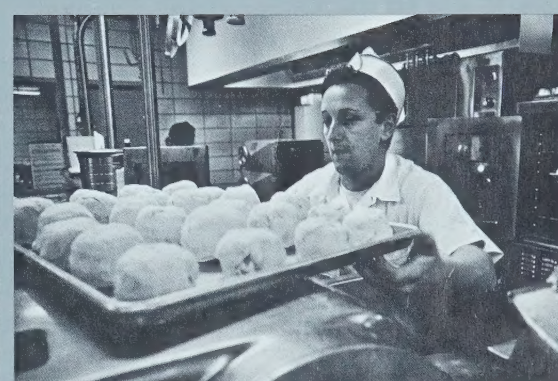
The Greyhound Corporation Annual Report 1965



Contents

Summary

	1965	1964
Revenues	$516.1	$470.0
Net Income	$ 42.1	$ 38.3
Per Common Share	$ 1.34	$ 1.21
Common Dividends	$ 27.2	$ 22.1
Per Common Share	$ .875	$ .725
Stockholders	115,168	103,705

(Dollar data in millions)

Message from Management

Dear Shareholder:

In 1965 your company began to realize substantial benefits from the diversification program inaugurated in 1961. The corporate strength and financial assistance of The Greyhound Corporation has enabled our acquired companies to achieve new revenue and earning records in 1965.

Consolidated net income in 1965 rose 10 per cent to $42.1 million, equal to $1.34 per share of common stock. This compares with 1964 figures of $38.3 million or $1.21 per share. In addition, there was a special credit of $7.8 million or 25 cents per share, from the sale of New York City property.

Gross revenues increased 9.8 per cent in 1965 to a total of $516.1 million while total expenses increased 9.9 per cent to a 1965 total of $440.1 million. Much of the increase in gross and net revenues was attributable to our acquired companies.

The earnings of Greyhound Leasing & Financial Corporation, acquired in 1962 under the name of Boothe Leasing Corporation, increased from $863,820 in 1962 to $2.8 million in 1965. Further increases are expected in 1966 and beyond. This subsidiary is now the leading lessor of industrial equipment in the United States.

The revenues of our Food Service companies—The Prophet Co., Horne's Enterprises, and Post Houses—reached an all-time high in 1965 of $105.1 million. Prophet has become one of the largest industrial and institutional caterers in the U. S.

The earnings of General Fire And Casualty Company, an insurance company acquired for $10 million in 1964, were increased in 1965, a notable achievement in view of the adverse experience of fire and casualty companies generally in 1965. Further improvement in the earnings of this company should take place in 1966 as the recently inaugurated travel accident policy is made available to the traveling public.

The earnings of Travelers Express Company, our most recent acquisition, are being increased through the sale of money orders at Greyhound's terminals, commission agencies, and Post Houses. While this company has achieved a satisfactory earning record in the short time it has been under Greyhound's control, greater benefits from Greyhound's assistance should be realized in 1966.

It is our conclusion that the diversification program has strengthened Greyhound and has enabled our company to reach a new earning record in 1965. It is our recommendation that the diversification program be pursued as attractive acquisition opportunities are presented.

Our transportation services, however, still constitute the most important segment of Greyhound's business. In 1965 the revenues from the transportation activities reached $386.5 million, up from $365.2 million the year before. Your management is making every effort to increase the revenues from these services. While this must be accomplished in the face of accelerating competition from the air lines and private automobiles, it is our view that increased traffic and revenues from bus operations can be achieved through the use of modern, clean, comfortable buses, the operation of frequent and expeditious schedules, and the courteous and efficient services of our employees.

Capital expenditures in 1965 amounted to $27.8 million. Of this total $13.4 million was spent on properties, such as terminal and garage improvement, and $14.4 million went for the purchase of 360 new buses. In 1966 we expect to receive approximately 400 new buses from our manufacturing subsidiary, Motor Coach Industries, Inc., at an investment of $18 million and 162 new buses from the General Motors Corporation at a cost of $7.6 million. In 1966 our terminal replacement and improvement program will continue.

We have the highest paid employees in the inter-city bus industry, and with performance commensurate with their level of pay, we should have the finest intercity bus service in the United States. Certainly that is our objective.

The following additional facts concerning our business are important and should be brought to your attention:

1. Greyhound Van Lines acquired the properties and operating rights of Ford Van Lines with the result that our van company now has operating rights in all of the 48 continental states.

2. Through our subsidiary Greyhound Lines of Canada Ltd. we acquired Brewster Transport Company Limited and Brewster-Rocky Mountain-Gray Line Ltd. for over $2 million. The acquisition of these companies will enable our Canadian subsidiary to participate in the tour and sightseeing business in the popular Banff and Jasper areas of Canada.

3. Negotiations for the acquisition of the Yellowstone Park Company were terminated due to the inability to reach an acceptable concession agreement with the National Park Service.

4. The proposal of Greyhound to buy a 20 per cent interest in Railway Express Agency, Inc., was approved by the Interstate Commerce Commission, but certain rail, bus and truck carriers have appealed this to the Federal Court. It is expected that the Court's decision will be released shortly.

5. We concluded our operations at the New York World's Fair on a highly satisfactory basis. While most concessionaires experienced losses, your company had a combined net income of $557,558 after taxes from the transportation, sightseeing, and restaurant services provided during the two years of the fair.

6. Mr. Arthur M. Hill retired as a director and chairman of the Executive Committee. We express our gratitude for his 29 years of outstanding service to our company.

7. With deepest regret we note the deaths of our friends and fellow directors Orville S. Caesar and Herbert G. Wellington in 1965. Both gave a lifetime of service to Greyhound. Their contributions over the years were immeasurable.

8. We are pleased to report the recent election of Mr. L. B. Worthington, president of U. S. Steel Corporation, Mr. H. Vance Greenslit, president of Greyhound Lines, Inc., Mr. H. A. Montague, chairman of Greyhound Food Management, Inc., and Mr. R. F. Shaffer, executive vice president of The Greyhound Corporation, to the Board of Directors of our corporation.

May we say in conclusion that we are grateful for the support of our 115,000 shareholders during the year 1965 and that we are appreciative of the contribution of the employees in our transportation, food, and financial services to our success in 1965. With your support and their help, Greyhound will continue as a dynamic, growing corporation in 1966 and thereafter.

F. W. Ackerman

Gerald H. Trautman

F. W. Ackerman
Chairman of the Board

Gerald H. Trautman,
President and Chief
Executive Officer

By order of the Board of Directors, March 17, 1966.

Transportation Services

Greyhound Lines, Inc.

In 1965 your management continued its efforts to provide safe, comfortable and expeditious bus service for approximately 100 million passengers a year who "leave the driving to us." Those efforts have been intensified in 1966. It is the objective of your management to conduct the best transportation service to be found anywhere. To this end, we have continued to upgrade our facilities and our bus equipment and to provide a pattern of service which is fully responsive to the public need.

Building Program Gains Momentum

In 1965 your company's program for upgrading terminal and garage facilities continued. New terminals were constructed at Milwaukee, Greenville, S. C., Lincoln, Neb., Cedar Rapids, Ia., Laredo, Tex., and Northlake, Ill.

Shortly after you receive this report, our new $2.4 million five-story bus terminal will be opened at Indianapolis. Here we will have 26 loading positions for buses, parking for 550 cars, and restaurant facilities. An even larger terminal is now under construction to serve the growing Los Angeles area. Occupying a full block and costing $11 million, it will be the nation's largest Greyhound bus terminal when opened next year. It covers 450,000 square feet on three levels and will service 500 daily bus arrivals and departures. Passengers will speed between floors on moving ramps and there will be parking space for 625 cars on the roof.

Also being constructed is a $3.2 million facility in Kansas City. This should be completed this year along with new terminals at Austin, Tex., Charleston, S. C. and Stockton, Calif. New terminals are now under consideration for San Francisco, El Paso, Albany, and Washington, D. C.

In 1965 new maintenance garages were finished in Miami and Louisville and were started in Chicago and St. Petersburg. Ground will be broken shortly for the $11 million maintenance center at New York City.

Upgrading of Equipment

Last year we bought 360 new buses at a total investment of $14.4 million. In 1966 we have ordered 162 multi-level, 38-passenger buses from General Motors at a cost of $7.6 million. The new buses feature theater-type seating for greater visibility, adjustable head rests, and increased space for baggage and packages. We also expect to obtain over 400 new buses during the year from Motor Coach Industries, the Greyhound manufacturing subsidiary in Winnipeg, Canada, and Pembina, N. Dak.

Convenient Pattern of Service

During 1965 our operating divisions made several revisions in service to meet the changing public needs. In certain areas new through bus operations were inaugurated to eliminate the inconvenience of changing buses at transfer points. In addition, the frequency of schedules in certain areas has been increased. Between several major cities Greyhound now operates an hourly service throughout the day. It is planned that in 1966 a complete reappraisal will be made of our service with a view to making it even more attractive and convenient to the ever changing demands of the traveling public.

Continuing Emphasis on Safety

Continued emphasis by your management on safe operations contributed again in 1965 toward accident reduction. Frequency of collision accidents decreased seven per cent in 1965. Greyhound operated over 187,000 highway miles between accidents, an eight per cent improvement over 1964.

Buses operate around-the-clock with headlights on. This has become a symbol of

safety for our fleet. The "Lights-on" program introduced by Greyhound six years ago has been adopted by many states and applauded by safety associations everywhere. National safety records still prove that over the years travel by Greyhound remains "17 times safer than driving yourself."

1965 Results Gratifying

Passenger revenues gained four per cent to $299.8 million in 1965; and charter sales went up nine per cent to $20.5 million. Greyhound Package Express continued to grow at a rapid pace, producing revenue of $38.1 million, up $4.1 million or 12 per cent over 1964.

International sales were actively promoted in 1965. The famous "See America" $99 travel ticket has been labeled the "one significant reduction" offered to our friends overseas. Sales of these tickets increased 19 per cent last year. A new international service office was opened in Frankfurt, Germany, in 1966, making a total of 10 locations to service the thousands of travel requests around the world.

Tour sales also climbed during the year. Operated by Greyhound Highway Tours, a large variety of independent and escorted tours was available. One of the more interesting new tours offered in 1965 was a seven-day escorted tour of Texas with a look at the Texas White House, President Lyndon B. Johnson's ranch home on the banks of the Pedernales River.

Special market activities continued at a high level. We sponsored Business Opportunity Forums, Woman of the Year luncheons, and numerous youth and school activities, all directed toward gaining favorable response in the Negro community.

A Year of Awards

We were also honored by the National Association of Travel Organizations with a special award of merit for our promotion of "See the U.S.A." in 1965.

Your company was authorized by the Commissioner of Baseball and the presidents of both the American and National Leagues to introduce in 1965 the first annual Greyhound Awards for base stealing. First place trophies went to Maury Wills of the Los Angeles Dodgers and Dagoberto Campaneris of the Kansas City Athletics. Runner-up plaques were given to Lou Brock of the St. Louis Cardinals and Jose Cardenal of the California Angels.

Lady Greyhound, the company's living symbol, was active again in 1965. She appeared at the New York World's Fair in her 10-times-daily canine fashion show. In the two years she performed before 400,000 fans. This year she will continue her personal appearances around the country in behalf of terminal openings, charity drives, and special events.

Invitation To Discover America

To support the government's "Discover America" program, we introduced a series of "Discover America" incentive fare plans. Foremost was the $99 TRAV-L-PASS, good for 99 days. In addition, there was a Discount Plan, under which the return portion of a round-trip ticket was reduced by 50 per cent, and a Family Plan, permitting parents and children traveling together to realize extra savings.

In cooperation with Liggett & Myers, a "See the U.S.A." tour-stakes contest was promoted last year with winners receiving special bus tours. Due to the popularity of this contest, a similar "Discover America" $77,777.77 tour-stakes will be held this year.

A new award-winning film, "Discover Greyhound America," has been released for viewing by clubs, church groups, schools, on television and in theaters. Originally a 3½ minute movie which was shown at our New York World's Fair exhibit, the new version is 10 minutes long and features a unique score based on our musical slogan.

The full-color, cinemascope production takes viewers on a quick trip around the U. S.

All Greyhound advertising highlights the "Discover America" theme. Beamed at prospective customers in major markets, the 1966 program includes television news and weather shows, newspapers, radio, and selected magazines.

Greyhound Lines of Canada Ltd.

Our Canadian subsidiary recorded impressive gains during 1965. Revenues totalled $19.7 million, compared with $16.2 million a year earlier.

In July Brewster Transport Company Limited and Brewster-Rocky Mountain-Gray Line Ltd. were acquired for more than $2 million. These firms operate transportation, hotel and touring services in the famed resort areas of Banff and Jaspar, Alberta, Canada.

Motor Coach Industries

This bus-building subsidiary stepped up its delivery schedule in 1965 to 10 a week. The bus shells are manufactured at the Winnipeg, Canada, plant and trucked across the border to Pembina, North Dakota, for final assembly.

A prototype of the new MC-6 bus should shortly be ready for road testing. It will be the most revolutionary bus since the original Scenicruiser came out 12 years ago. Among major changes is the addition of six inches to the width, making it the first 102″ bus on the highway. This will allow more comfortable and spacious seats and a greatly enlarged baggage and express capacity. Steps are now being taken to obtain changes in the laws in certain states which do not permit operation of the larger bus.

VAVO-Greyhound, N.V.

A breakthrough occurred in 1965 for this Holland-based touring company. For the first time charter buses were available for prominent American tour operators. This proved very popular and demand is running high for 1966.

Major promotion effort of the year was the exposure given a VAVO-Greyhound luxury touring bus when it visited travel editors and agents in eight U. S. cities during a five-week junket last fall. As a result, bookings increased for the coming season and we look forward to a much greater demand for motor coach travel in Western Europe in the future.

Greyhound At The World's Fair, Inc.

During the two-year run of the New York World's Fair, Greyhound services were used by an estimated 46 million people. Almost half of this total, or 22½ million, used our fairground transportation through the famous Glide-a-Rides and sightseeing buses. An additional 14 million rode our parking lot buses.

Our two restaurants—Main Street, U.S.A. and Rheingold's Little Old New York—served about 8 million people during the two years. The Greyhound exhibit, featuring Lady Greyhound and the Circle Theater, accounted for another 1½ million and countless millions stopped at Greyhound information booths.

All vehicles were sold to amusement parks, zoos, colleges, plants and others at Fair's end. Our building was acquired by the New York City Fire Department. This eliminated our contractual demolition obligation. Greyhound was one of the few companies to make a profit from its World's Fair operations. For the two years our company had an after tax net profit of $557,558.

Greyhound Van Lines, Inc.

Culminating a program that began in 1956, Greyhound Van Lines last year became a 48-state household goods carrier. Following approval by the Interstate Commerce

Commission, this subsidiary acquired by purchase the interstate operating authority of Ford Van Lines, Inc., Lincoln, Neb., on July 1, 1965. Ford Van Lines offices in Lincoln, Omaha, and Denver became exclusive agents for Greyhound Van Lines in those important markets, helping to swell the company's agency group to its highest total of 420. In 31 major metropolitan markets the company is represented by district sales and regional offices staffed by qualified and experienced employees.

With a 29 per cent increase in operating revenues over 1964, Greyhound Van Lines' total volume in 1965 reached $16 million. Since 1962, Van Lines' revenues have increased 82 per cent, reflecting the growing mobility within this country of individuals and military and corporate personnel. There has also been a rapid growth in the manufacture of high value electronic products which Van Lines transports in its expanding fleet of cushioned highway vans.

Food Services

Greyhound Food Management, Inc.

Greyhound Food Management, the common service umbrella for your food service companies, now operates at 500 locations, serving more than 700,000 meals a day, with a higher degree of efficiency and improved profit margins than ever before. The group is almost two years old. Already it accounts for over one-fifth of corporate revenues. Last year sales rose 11 per cent to $105.1 million from $94.8 million the previous year. All companies operated profitably in 1965.

Some of the results brought about by combining Prophet, Post Houses and Horne's Enterprises under one service organization are: the elimination of duplication of functions and services; the standardization of purchasing; the benefits of volume purchasing, and the availability of more specialized services for the food companies. In addition, uniform high standards for food ingredients, recipe development, portion controls, plate arrangements, and preparation and service methods have been set for all three companies.

The Prophet Co.

This leader in catering fills food requirements for a broad range of industries and institutions through personal service and vending machines. In 1965, annual sales climbed by 12.5 per cent over the previous year to $63.3 million.

Among its industrial commercial clients are some of the largest corporations in the United States and important government installations. It serves colleges and universities and a number of hospitals and nursing homes, which require specialized food preparation and service. There are also Polly Davis Cafeterias, operating primarily in Florida, and Monte's restaurants in Detroit, Cincinnati, Indianapolis, and Burbank, Calif.

Last year Prophet entered the international food service business through a joint venture with Grand Magasin Au Bon Marche. This respected firm operates a large chain of department stores, restaurants, and supermarkets in Belgium. We formed a new company—Restaura, S.A.—to manage and operate food catering facilities for plants, office buildings, banks, schools, and hospitals throughout Western Europe.

Post Houses, Inc.

Established in 1939 to provide food and rest facilities for passengers at Greyhound Bus Terminals, Post House services now include newsstands, gift shops, and game rooms.

With buses following the expanding network of Interstate highways, highway

houses were added to serve Greyhound's bus passengers and car travelers. In 1965 six new Post Houses were opened, bringing the total number of units to 116. Revenues amounted to $29.4 million for the year.

Horne's Enterprises, Inc.

Horne's chain of highway restaurants started in 1948 in the southeastern part of the U. S. Its "One Stop Service" includes food, lodging, gas, gifts, and private brand candy and preserves. The familiar "Yellow Roof" dots the countryside in 16 southern and midwestern states and in Canada. This company has also been expanding along the spreading Interstate Highway System.

In 1965, Horne's recorded $12.4 million in sales. It opened 12 locations for a total of 67. Of these, eight are motor lodges. More motor lodges will be built this year.

Financial Services

Greyhound Leasing & Financial Corporation

The words, "Property of Greyhound Leasing & Financial Corporation, San Francisco, California," can be found throughout the U. S. inconspicuously tagged to all types of machinery and equipment. Some are jet aircraft, railroad rolling stock, computers, buses, machine tools, chemical plants, trucks, materials handling equipment, ships, barges, and all the other capital equipment used to manufacture, process, service and transport American industry.

The corporate name of this subsidiary was changed from Boothe Leasing Corporation to Greyhound Leasing & Financial Corporation during the year to identify its activities more closely with the parent company.

For Greyhound Leasing, 1965 was an outstanding year. Total acquisitions of property for lease and allied financial transactions came to $170 million as against $52 million for 1964. Earnings were $2.8 million as compared to $1.7 million. The backlog of equipment on order at the end of the year was approximately $153 million as compared to $57 million the previous year.

The company is the leading lessor of major capital equipment in the U. S. today and is active in all fifty states, Puerto Rico, Canada, and Western Europe. It has developed three highly specialized fields of equipment leasing in addition to the substantial position it maintains in the field of general equipment leasing and financing.

Jet Aircraft Leases Rise

The company has purchased for lease or has on order for lease 40 jets including Boeing 707 and 727, Douglas DC-8, DC-8F, and DC-9 and BAC-111 aircraft. The total cost of jets now owned or committed for is $195 million. These aircraft are leased to major U. S. trunk airlines, local service carriers and supplemental air carriers. This makes Greyhound Leasing the largest private owner of U. S. jet aircraft other than fleets operated by major scheduled trunk carriers.

Data Processing Equipment Gains

At the end of 1965 the company had under lease approximately $52 million of present generation computer systems together with their related peripheral equipment. Of this equipment 90 per cent is represented by IBM 7000 and 1400 series units on lease to some 40 large corporate customers.

60 Miles of Railroad Equipment

At the end of 1965 Greyhound Leasing owned or had firm commitments to purchase \$114 million of railroad rolling stock for lease to major railroad carriers throughout the U. S. This equipment consists of over 5,300 boxcars, covered hopper cars, gondola cars, locomotives, and numerous special usage type rolling stock. We can truly say that we have over sixty miles of railroad cars and not one inch of track.

Foreign Operations Latest Venture

During 1965 Greyhound Financial & Leasing Corporation AG was established in Switzerland for the purpose of financing and leasing various major items of capital equipment to companies based in Western Europe. The company is jointly owned by Greyhound Leasing & Financial Corporation (U. S.) and prominent Western European merchant bankers. To date Greyhound Financial has undertaken three ship leases and financing transactions involving a total investment of approximately \$10 million. The financing of these units is being handled from sources outside the U. S. in order to cooperate with the U. S. Government in its attempt to solve the balance of payments problem.

Prominent In Film Industry

Producers Service Division, located in Hollywood and engaged in the manufacture, service, and leasing of optical printing equipment to the motion picture film processing industry, made major strides forward during the year by the successful development and delivery of a new, highly sophisticated triple-head optical printer which has been enthusiastically received by the industry. In addition, it is actively engaged in the development of a production model of a high speed reduction printer. This project has been undertaken in cooperation with Eastman Kodak and appears to open up a large new market for the Producers Service Division. The division continues to hold its dominant position in manufacturing, servicing, and leasing of optical printers which are recognized as the standard of the film processing industry.

General Fire And Casualty Company

This insurance subsidiary is now licensed in 50 states with licenses pending in Canada. It continues to write regular lines of automobile coverage, workmen's compensation, general liability, surety, fire and allied lines, burglary, glass and inland marine coverages, and New York disability benefits.

Besides handling \$5.4 million of Greyhound bus coverage, volume is being increased by a new "Tour-Master" travel accident policy that is available at Greyhound terminals and agencies as well as through other carriers. It is expected that travel accident insurance will become a substantial portion of the company's premium income this year.

Despite the adverse experience of casualty and fire companies in 1965, General Fire operated at a profit in 1965 and increased profitability is forecast in 1966.

Travelers Express Company, Inc.

Travelers Express, acquired by your company on July 1, 1965, now ranks second among private U. S. organizations in the money order field. Last year a new high of \$770 million in face value of money orders was reached by this 25-year-old firm.

Travelers' money orders in the form of checks provide a convenient method for paying bills. The service is offered to the public by more than 14,000 retail merchants in 47 states, Puerto Rico, and the Virgin Islands. During the second half of the year

service was also installed at over 700 Greyhound outlets, either company-owned terminals or commission agencies.

People Serving People

Greyhound is made up of people. All kinds of people. Over 32,000 are employees; over 115,000 are stockholders; over 100 million are passengers; and there are many millions more who have used one of Greyhound's services, in transportation, food, or finance.

This year we wanted our report to recognize these people who are essential to the continued growth of Greyhound. Some of them are seen in the dramatic photographs in the pictorial portfolio which begins on the next page. You will see bus passengers, of course, but in other pictures you will see a secretary, an executive, the directors of the corporation. In others you will see symbols of the types of services rendered by Greyhound personnel.

We hope you will like these photographs. Each one was taken by the respected photo-journalist, Archie Lieberman, who saw the people of Greyhound in a different perspective than anyone before him. After a few days of poking his camera lens into places none had ever been, he gave us the theme for this report. He said, "Greyhound's business seems to be people serving people." We agreed and that's our theme. We think he did an exciting job of capturing on film the unique character of all Greyhound service.

Executives Promoted In Several Companies

Nine executives were elected officers of the parent corporation. They were: Gerald H. Trautman, president and chief executive officer; T. Carl Wedel, executive vice president—finance; James E. Hawthorne, vice president—marketing; Verne F. Kelley, vice president—advertising & public relations; Robert O. Lowe, vice president & comptroller; Peter K. Nevitt, vice president—industrial relations & personnel; Raymond H. Warns, general attorney; and Adam P. Sledz and Carl J. Fleps, assistants to the president.

Greyhound Lines added five staff officers: A. N. Brion, vice president—transportation; Richard G. Gebhardt, vice president—maintenance; Robert J. Bernard, vice president—commerce; W. E. Hastings, vice president—traffic; and Gregory M. Heine, assistant to the president. Cloyd Kimball was elected president of Eastern Greyhound Lines, succeeding W. H. Egger, who retired.

Chief executive appointments in Transportation Services were J. H. Cohen, president, California Parlor Car Tours Company, and S. O. Kuneman, president, VAVO-Greyhound.

In the Food Services group of companies, Henry A. Montague was elected chairman of the board and William E. Lassiter, president of Greyhound Food Management. John W. Teets was given additional duties as president of Horne's Enterprises. And in Financial Services, David J. Maundrell was named president of General Fire And Casualty Company.

The Key To Growth

But it is the thousands of Greyhound employees to whom we dedicate this report. They are the people behind the scenes who keep the buses running, who answer the telephones, who type the letters, who prepare the food, who process the orders. They are also the people who drive the buses, who sell the tickets, who serve the food, who represent Greyhound in a hundred different ways. They are people serving people. And these people are what keeps Greyhound growing.

Harold C. Stuart Leslie B. Worthington Hans Stauffer

H. Vance Greenslit

James W. Walker Theodore B. Petersen

William R. Adams　　Henry A. Montague　　Raymond F. Shaffer

Gerald H. Trautman　　Frederick W. Ackerman　　Charles S. Munson　　D. P. Boothe, Jr.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26

Consolidated Balance Sheets

ASSETS	DECEMBER 31 1965	1964
CURRENT ASSETS:		
Cash	$ 21,810,893	$ 19,538,082
Marketable securities, at cost	37,219,642	42,751,888
Advances—Greyhound Leasing & Financial Corporation	12,430,847	6,828,781
Receivables	28,251,175	21,946,540
Repair parts and other inventories	11,840,238	10,164,573
Prepaid expenses	4,071,579	4,927,421
TOTAL CURRENT ASSETS	$115,624,374	$106,157,285
CASH AND MARKETABLE SECURITIES segregated in amount equal to insurance reserves, at cost	21,954,045	18,180,041
TANGIBLE PROPERTY, at cost:		
Buses	$201,586,632	$199,462,276
Less depreciation	117,417,994	111,213,600
	$ 84,168,638	$ 88,248,676
Land	$ 36,169,632	$ 37,115,278
Buildings and leasehold improvements	97,100,293	90,840,383
Other equipment	37,980,336	36,260,876
	$171,250,261	$164,216,537
Less depreciation	54,952,321	51,896,536
	$116,297,940	$112,320,001
	$200,466,578	$200,568,677
INVESTMENTS AND ADVANCES:		
Greyhound Leasing & Financial Corporation (includes junior subordinated notes of $20,000,000 in 1965; $10,000,000 in 1964)	$ 32,073,769	$ 19,282,948
Other investments and advances	9,580,810	8,342,128
	$ 41,654,579	$ 27,625,076
INTANGIBLES	5,523,603	4,461,591
	$385,223,179	$356,992,670

See notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31 1965	1964
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 28,930,941	$ 27,176,457
Salaries and wages	12,780,230	11,565,544
Dividends	7,115,287	6,257,050
Federal income and other taxes	19,676,704	16,602,356
Long-term obligations due within one year	3,403,862	4,144,213
Unearned insurance premiums	4,880,138	[illegible]
TOTAL CURRENT LIABILITIES	$ 76,787,162	[illegible]
LONG-TERM OBLIGATIONS, less amounts due within one year, included above:		
4¾% Notes, Series A and B—due in annual installments to July 15, 1975	$ 11,837,000	$ 13,217,000
4⅝% Notes—due in annual installments November 15, 1970 to May 15, 1984	35,000,000	35,000,000
Other long-term obligations, principally real estate mortgages	17,066,386	[illegible]
	$ 63,903,386	$ 67,442,921
RESERVES AND DEFERRED ITEMS:		
Insurance reserves	$ 21,954,045	$ 18,180,041
Deferred federal income taxes	8,585,026	7,574,985
Minority interests in subsidiaries	5,135,955	4,753,862
	$ 35,675,026	$ 30,508,888
STOCKHOLDERS' EQUITY:		
Capital stock:		
Cumulative preference, convertible, 4½%, par value $50 per share, authorized 29,107 shares (8,265 shares converted and not reissuable), issued and outstanding 20,842 shares (1965)	$ 1,042,100	$ 1,455,350
Second cumulative preference, convertible, 3%, par value $100 per share, authorized 146,000 shares, issued and outstanding 144,868 shares	14,486,800	14,486,800
Common, par value $1.50 per share, shares authorized 36,000,000, issued 31,268,778 (1965)	46,903,167	46,807,551
	$ 62,432,067	$ 62,749,701
Capital surplus	57,458,020	58,466,604
Earned surplus	89,227,857	66,892,389
	$209,117,944	$188,108,694
Less common stock, 173,559 shares in treasury (1965), at par	260,339	166,650
	$208,857,605	$187,942,044
	$385,223,179	$356,992,670

See notes to financial statements.

Consolidated Income Statement

	YEAR ENDED DECEMBER 31 1965	1964
REVENUES:		
Bus:		
Passenger	$299,770,904	$288,322,013
Package express	38,081,819	34,021,354
Charter and other	29,317,419	28,187,050
	$367,170,142	$350,530,417
Food services	105,118 213	94,848,435
Household moving and storage	15,970,082	12,371,540
Insurance premiums	10,438,319	
Money order fees	5,919,589	5,611,587
Net income—Greyhound Leasing & Financial Corporation	2,790,821	1,749,354
Dividends and interest	4,689,801	2,595,506
Miscellaneous revenues	3,989,754	2,341,164
	$516,086,721	$470,048,003
EXPENSES AND MINORITY INTERESTS:		
Operating costs and expenses	$414,934,189	$377,227,894
Depreciation	20,979,672	19,648,951
Interest	3,230,996	2,913,220
Net income applicable to minority interests	985,776	683,419
	$440,130,633	$400,473,484
INCOME BEFORE INCOME TAXES	$ 75,956,088	$ 69,574,519
PROVISION FOR INCOME TAXES	33,863,000	31,304,000
NET INCOME	$ 42,093,088	$ 38,270,519
SPECIAL CREDIT—gain on sale of property, net of applicable federal taxes	7,774,998	
NET INCOME AND SPECIAL CREDIT	$ 49,868,086	
Income per share of common stock	$1.34	$1.21
Income and special credit per share of common stock	$1.59	

See notes to financial statements.

Consolidated Earned Surplus

	YEAR ENDED DECEMBER 31 1965	1964
BALANCE, January 1:		
As previously reported to stockholders	$ 64,801,505	$ 49,909,061
Earned surplus of Travelers Express Company, Inc. included herein on a pooling of interests basis	2,090,884	1,439,607
	$ 66,892,389	$ 51,348,668
NET INCOME AND (in 1965) SPECIAL CREDIT	49,868,086	38,270,519
	$116,760,475	$ 89,619,187
DEDUCT:		
Dividend appropriations:		
4½% Preference stock—$2.25 per share	$ 50,816	$ 105,690
3% Second preference stock—$.75 quarterly from date of issuance	216,281	
Common stock—$.87½ per share in 1965	27,192,889	22,090,081
Dividends paid by acquired companies prior to exchange of shares and miscellaneous charges—net	72,632	531,027
	$ 27,532,618	$ 22,726,798
BALANCE, December 31	$ 89,227,857	$ 66,892,389

Consolidated Capital Surplus

	1965	1964
BALANCE, January 1:		
As previously reported to stockholders	$ 71,494,676	$ 71,516,573
Adjustment arising from issuance of 3% second cumulative preference stock for Travelers Express Company, Inc. included herein on pooling of interests basis	13,028,072	13,028,072
Revised balance	$ 58,466,604	$ 58,488,501
ADD:		
Excess of proceeds over par value of common stock:		
Issued on conversion of 4½% preference stock	$ 363,116	$ 2,863,600
Sold under stock option plan	287,797	340,537
	$ 59,117,517	$ 61,692,638
DEDUCT:		
Excess of cost over par value of common shares acquired for treasury	$ 1,537,849	$ 2,472,112
Costs and expenses applicable to acquiring pooled companies and to the 2-for-1 stock split in 1964	121,648	753,922
	$ 1,659,497	$ 3,226,034
BALANCE, December 31	$ 57,458,020	$ 58,466,604

See notes to financial statements.

Consolidated Source and Use of Funds

Year ended December 31, 1965

SOURCE OF FUNDS:	
From operations:	
Consolidated net income	$42,093,088
Undistributed net income—minority interests	431,738
Depreciation—not requiring use of funds:	
Buses	14,644,658
Other tangible property	6,335,014
Total from operations	$63,504,498
Disposals of tangible property:	
New York terminal property—net of tax	10,183,814
Other property	4,632,151
Exercise of stock options	338,386
Increase in deferred federal income taxes	1,010,041
Decrease in cash and marketable securities	3,259,435
	$82,928,325
USE OF FUNDS:	
Expenditures for tangible property:	
Buses	$14,418,858
Other tangible property	13,348,630
	$27,767,488
Acquisition of Brewster Transport Company Ltd. tangible property	2,336,582
Dividend appropriations	27,459,986
Payment of long-term obligations	4,919,945
Increase in investments and advances to Greyhound Leasing & Financial Corporation, including retained net earnings of $2,790,821	18,392,887
Purchase of common stock for treasury	1,647,806
Other items—net	403,631
	$82,928,325

Auditors' Report

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
OF THE GREYHOUND CORPORATION,
CHICAGO, ILLINOIS

We have examined the accompanying consolidated balance sheet of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1965, and the related statements of income, surplus, and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1965, the consolidated results of their operations and the source and use of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the consolidation of the accounts of General Fire And Casualty Company as explained in the notes to financial statements.

Touche, Ross, Bailey & Smart

Chicago, Illinois
February 25, 1966

TOUCHE, ROSS, BAILEY & SMART

Notes to Financial Statements

Year ended December 31, 1965

Accounting Principles:

The accompanying consolidated balance sheet at December 31, 1965 includes the accounts of the Corporation and its domestic and Canadian subsidiaries except for Greyhound Leasing & Financial Corporation (formerly Boothe Leasing Corporation) and Boothe Leasing of Canada, Ltd. (leasing subsidiaries). The results of operations of the Corporation and its subsidiaries are presented in the consolidated income statement. The investment in capital stocks of the leasing subsidiaries, referred to above, are included in the balance sheet at underlying equity in net assets of these companies. Separate financial statements of Greyhound Leasing & Financial Corporation are included elsewhere in this report.

During 1965, the Corporation acquired the outstanding capital stock of Travelers Express Company, Inc. in exchange for 144,868 shares of its 3% second cumulative preference stock, $100 par value. The 3% second cumulative preference stock is convertible into a maximum of 486,667 shares of common stock. This transaction has been treated for accounting purposes in accordance with the pooling of interests accounting principle. Accordingly, the accompanying financial statements for 1964, presented herein for comparative purposes, have been revised to include the acquired company.

In addition, for comparative purposes, the balance sheet at December 31, 1964, has been restated to consolidate the accounts of General Fire And Casualty Company (insurance subsidiary), which was acquired for cash in 1964, and included in the consolidation as of January 1, 1965.

The accompanying financial statements are presented in conformity with generally accepted accounting principles; however, they differ in some respects from the reports filed with the Interstate Commerce Commission, in accordance with its prescribed uniform system of accounts. The principal differences result from the accounting for accelerated depreciation, insurance claims, and investment tax credit. The regulations of the Interstate Commerce Commission require that the amount of federal income tax payable each year be charged to income, whereas consideration of future tax effects has been given effect to in the accompanying financial statements. The amount of these differences in presentation was not material in 1965.

Long-term Obligations:

Annual installments on long-term obligations during the period from 1967 to 1969 will approximate $2,500,000. Commencing in 1970, prepayments of $2,275,000 are required to be made on the 4⅝% notes in addition to the $2,500,000 installments on other obligations. Interest on real estate mortgages range generally from 3.58% to 5.5% with final maturities of the mortgages extending to 1984. A portion of land and buildings is pledged under these obligations.

Under provisions of loan agreements, $28,194,904 of earned surplus at December 31, 1965, was unrestricted for the payment of cash dividends. The Corporation must also maintain consolidated working capital of not less than $10,000,000. At December 31, 1965, consolidated working capital, as defined in the agreements, was $19,781,359 in excess of the fixed requirement.

Stock Options:

Changes in the Corporation's stock option plans during the year are set forth in the following tabulation:

	Number of common shares	
	Reserved	Granted
Balance, January 1, 1965	809,856	380,264
Granted in 1965		88,500
Exercised, at an aggregate price of $338,386	(33,726)	(33,726)
Cancellations	(18,618)	(21,118)
Balance, December 31, 1965	757,512	413,920
Options exercisable at December 31, 1965	49,032	

The options outstanding at December 31, 1965, were granted at prices ranging from $7.36 to $27.50 per share, representing the market price on the respective dates of grant, adjusted for subsequent stock dividends and stock split. Options with respect to 309,920 common shares may be exercised in installments over a period of eight years after a waiting period of two years from the date of grant. Options with respect to 104,000 common shares may be exercised in installments over a period of four years after a waiting period of one year from the date of grant.

Retirement Plans:

The Corporation has contributory retirement and disability plans for the majority of its employees. The plans generally provide for the funding of basic benefits under group annuity contracts; the cost of disability and supplemental benefits are funded under Trusts. The contributions of the Corporation in 1965 under these plans totaled $11,800,000.

Proposed Acquisitions:

The Corporation has entered into an agreement to exchange a maximum of 173,686 shares of common stock for a majority interest in the capital stock of Texas, New Mexico and Oklahoma Coaches, Inc., subject to approval by the Interstate Commerce Commission.

The Commission has approved the purchase of a 20% interest in the common stock of Railway Express Agency, Incorporated, for $10,000,000 but the decision has been appealed by a third party to the Federal Court in Denver, Colorado.

Consolidated Balance Sheets

ASSETS	DECEMBER 31 1965	1964
CASH AND SHORT-TERM INVESTMENTS	$ 7,413,399	$ 3,177,830
EQUIPMENT LEASES AND OTHER CONTRACTS RECEIVABLE, due in installments to 1980 ($52,401,936 (1965), $33,688,962 (1964) due within one year)	$252,672,046	$138,083,450
Less:		
Unearned income	63,770,662	33,959,821
Allowance for possible losses	1,823,105	1,405,505
	$187,078,279	$102,718,124
EQUIPMENT AND OTHER PROPERTY:		
On rental—at cost, less amortization over lease terms:		
Payout leases	$ 31,529,981	$ 17,628,381
Partial payout leases	57,382,380	16,486,330
Rental contracts in process—at cost	17,937,456	2,395,445
	$106,849,817	$ 36,510,156
OTHER ASSETS	1,764,151	654,073
	$303,105,646	$143,060,183

LIABILITIES AND STOCKHOLDER'S EQUITY	1965	1964
SHORT-TERM LIABILITIES:		
Accounts payable and accruals	$ 1,733,076	$ 495,848
Accounts payable—equipment	6,736,261	1,805,688
Loans payable to banks	125,000,000	55,200,000
Advances—The Greyhound Corporation	12,430,847	6,828,781
Long-term obligations due within one year	6,659,545	4,654,873
	$152,559,729	$ 68,985,190
LONG-TERM OBLIGATIONS, less amounts due within one year included above:		
Limited recourse installment notes	$ 64,149,841	$ 21,025,960
Other installment notes and contracts	8,700,839	4,857,476
Senior secured notes	9,000,000	10,900,000
Subordinated notes, due 1969	3,500,000	3,500,000
Junior subordinated notes—The Greyhound Corporation	20,000,000	10,000,000
	$105,350,680	$ 50,283,436
DEFERRED ITEMS:		
Lease rental deposits	$ 5,114,873	$ 1,744,878
Investment tax credit	13,954,916	4 068,135
Federal income taxes	14,051,679	8,695,596
	$ 33,121,468	$ 14,508,609
STOCKHOLDER'S EQUITY:		
Common stock, no par value; authorized 750,000 shares; issued and outstanding 367,671 shares	$ 3,806,307	$ 3,806,307
Earned surplus	8,267,462	5,476,641
	$ 12,073,769	$ 9,282,948
	$303,105,646	$143,060,183

See notes to financial statements.

Consolidated Income and Earned Surplus

	YEAR ENDED DECEMBER 31 1965	1964
INCOME EARNED:		
Rentals and interest	$13,723,917	$10,512,268
Investment tax credit	1,091,895	326,385
	$14,815,812	$10,838,653
EXPENSES:		
Interest ($2,692,960 in 1965 and $1,532,956 in 1964 to The Greyhound Corporation)	$ 7,642,796	$ 5,221,729
General and administrative	2,811,195	2,428,254
	$10,453,991	$ 7,649,983
INCOME BEFORE INCOME TAXES	$ 4,361,821	$ 3,188,670
PROVISION FOR INCOME TAXES	1,571,000	1,439,316
NET INCOME	$ 2,790,821	$ 1,749,354
EARNED SURPLUS:		
January 1	5,476,641	3,727,287
December 31	$ 8,267,462	$ 5,476,641

See notes to financial statements.

Auditors' Report

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
OF THE GREYHOUND CORPORATION:

We have examined the accompanying consolidated balance sheet of Greyhound Leasing & Financial Corporation (formerly Boothe Leasing Corporation) and subsidiaries as of December 31, 1965, and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Greyhound Leasing & Financial Corporation and subsidiaries at December 31, 1965, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, which we approve, in the method of amortizing the investment tax credit as described in the notes to financial statements.

Touche, Ross, Bailey & Smart

San Francisco, California
January 28, 1966

TOUCHE, ROSS, BAILEY & SMART

Notes to Financial Statements

Year ended December 31, 1965

Accounting Policies for Leases:

Rentals receivable and unearned income (representing the difference between rentals receivable and the sum of the cost of related rental equipment and other property, commissions, and direct expenses, less net carrying amount at end of lease terms) are recorded when lease contracts become effective. The unearned income is generally taken into earnings on a declining basis over the life of the related lease. General and administrative expenses incident to consummating and recording leases are charged to expense when incurred. No part of rental income to offset these expenses is taken into earnings at the time the leases are recorded.

For federal income tax purposes, lease rentals, amortization of rental equipment and other property costs, and certain other items are reported on bases which differ from the financial reporting bases. Provision has been made for deferred federal income taxes relating to the difference between income reported for tax purposes (included in the consolidated federal income tax return of The Greyhound Corporation and subsidiaries) and that reported herein.

Investment Tax Credit:

The investment tax credit on rental equipment is deferred and amortized by credits to income over the original terms of the leases or eight years, whichever is longer. The investment tax credit recorded in prior years is being amortized on a straight-line basis while the credit recorded in 1965 is being amortized on declining basis corresponding to the method of reflecting income from leases. The effect of the change in the method of recording amortization of deferred investment tax credit in the current year was to increase net income by approximately $330,000.

Equipment and Other Property on Rental:

The Corporation enters into lease contracts of two basic types:

	Original cost	Unamortized cost at end of lease terms
Payout leases . . .	$244,613,893	$31,529,981
Partial payout leases	84,166,669	57,382,380
	$328,780,562	$88,912,361

Payout leases are those where the Corporation receives as rent an amount equal to or greater than the equipment cost over the initial lease term. On partial payout leases, rents received in the initial lease term are less than equipment cost. The unamortized cost under each type of lease contract represents the cost of the equipment reduced by estimated amortization applicable to the lease periods. In the opinion of management, both types of lease will be renewed, or the equipment sold or released, at the end of lease periods at amounts sufficient to recover remaining unamortized cost.

Outstanding Loans:

Lease contracts receivable aggregating $109,632,350 and the related equipment and property with net carrying amounts of $16,388,363 and short-term investments of $4,300,000 have been assigned or pledged as collateral to the senior secured notes (due in installments to 1971), limited recourse installment notes (due in installments to 1980) and to the other installment notes and contracts (due in installments to 1972). On the limited recourse installment notes, the lenders have no recourse other than to the assigned and pledged assets aggregating $109,353,075.

Short-term loans payable to banks of $125,000,000, borrowed under lines of credit aggregating $135,000,000, are generally expected to be renewed upon expiration of the one-year agreements. Under the terms of agreements relating to bank lines of credit, the Corporation is required to maintain, and The Greyhound Corporation has agreed to cause the Corporation to maintain, $500,000 of working capital as defined. The Corporation met this requirement at December 31, 1965.

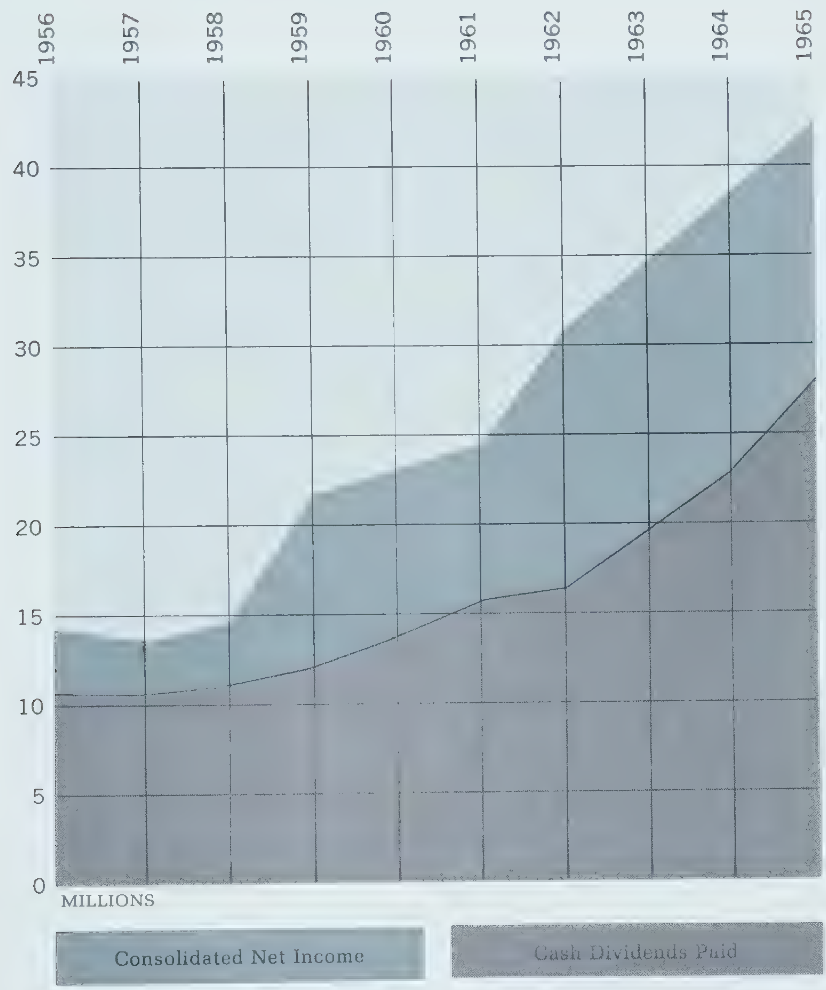
Junior subordinated notes payable to The Greyhound Corporation are due $5,000,000 each in 1971 and 1973 and $10,000,000 in 1975.

Commitments and Guarantees:

At December 31, 1965, the Board of Directors or officers of the Corporation had authorized commitments to enter into leases for equipment costing approximately $153,000,000. It is anticipated that leases covering $129,000,000 of the above amount will be consummated during 1966 and $24,000,000 during 1967.

The Corporation was guarantor of loans of a 50%-owned company in the amount of $2,700,000 at December 31, 1965.

Corporate Earnings and Dividends



The Greyhound Dollar

%	Where It Comes From	
71.1	$367,170,142	Bus Operations
58.1	299,770,904	Passenger Revenue
7.3	38,081,819	Package Express Revenue
5.7	29,317,419	Charter and Other Revenue
20.4	105,118,213	Food Services
8.5	43,798,366	Other
100.0	$516,086,721	Total

%	Where It Goes	
44.4	$229,269,526	Employee Wages and Benefits
34.9	180,006,481	Other Operating Expenses (depreciation, maintenance, fuel, etc.)
12.5	64,717,626	Federal, State and Local Taxes
5.5	28,110,210	Distribution to Stockholders—Dividends
2.7	13,982,878	Net Income Retained for Expansion
100.0	$516,086,721	TOTAL

Highlights of Ten Years

STATISTICS IN BRIEF (Dollar data in millions)	1965	1964	1963
REVENUES			
Bus Operations	$367.2	350.5	332.6
Food Services (2)	$105.1	94.8	82.8
Other (2)	$ 43.8	24.7	25.6
Total	$516.1	470.0	441.0
NET INCOME			
Total Dollars (2)	$ 42.1	38.3	34.2
Per Common Share After Preferred Dividends (1)	$ 1.34	1.21	1.09
PREFERRED DIVIDEND REQUIREMENTS	$ .5	.6	.8
COMMON DIVIDENDS			
Cash	$ 27.2	22.1	18.7
Per Share, as Adjusted for Stock Dividends and 1964 2-for-1 Stock Split	$ .875	.725	.645
Stock			5%
TAXES (2)			
Income	$ 33.9	31.3	35.3
Other	$ 30.8	29.2	28.1
Total—Per Common Share	$ 2.04	1.91	2.05
OTHER STATISTICS			
Number of Stockholders	115,168	103,705	87,141
Number of Employees (Average)	32,422	31,807	24,264
Miles of Routes	100,944	100,434	100,302
Bus Miles Operated (Millions)	526.1	528.4	513.9
Miles Traveled by Passengers (Billions)	10.3	10.4	10.2
Buses Owned End of Year	5,216	5,293	5,171

Per share statistics are based on average number of common shares outstanding.

(1) Earnings per common share for all years have been restated for 1964 stock split and for stock dividends. Net income of companies acquired under pooling principle included for years 1960 to 1965.

(2) Includes acquired companies years 1960 to 1965 under pooling principle.

1962	1961	1960	1959	1958	1957	1956
321.4	296.1	287.1	285.9	272.1	263.1	242.6
73.3	59.2	56.2	23.8	22.0	21.7	18.8
20.1	20.9	20.8	13.6	11.7	11.8	7.5
414.8	376.2	364.1	323.3	305.8	296.6	268.9
30.2	23.6	22.7	21.4	14.0	13.4	13.9
.97	.75	.72	.75	.49	.48	.50
1.3	1.4	1.5	.4	.5	.4	.4
14.7	13.9	11.9	11.3	10.8	10.6	10.6
.515	.49	.425	.405	.395	.395	.395
5%		10%	5%			
32.7	24.9	24.3	25.0	15.1	14.4	15.2
27.6	26.6	26.1	23.7	23.6	23.6	20.7
1.99	1.71	1.68	1.71	1.36	1.36	1.28
84,830	83,664	82,508	79,778	76,057	73,103	69,810
24,191	24,236	24,387	24,775	26,542	28,140	26,435
101,731	101,068	100,433	101,120	101,711	99,896	97,819
508.0	489.5	481.5	485.5	496.4	517.7	506.9
10.1	9.2	9.3	9.5	9.8	10.1	10.0
5,324	5,200	5,214	5,383	5,595	5,931	5,879

Board of Directors—The Greyhound Corporation

Frederick W. Ackerman, San Francisco, California
Chairman of the Board, Executive Committee Chairman, The Greyhound Corporation

William R. Adams, New York, New York
President, St. Regis Paper Company

D. P. Boothe, Jr., San Francisco, California
President, Greyhound Leasing & Financial Corporation,
Executive Committee Member, The Greyhound Corporation

Frederick L. Ehrman, New York, New York
Partner, Lehman Brothers
Executive Committee Member, The Greyhound Corporation

H. Vance Greenslit, Chicago, Illinois
President, Greyhound Lines, Inc.

Paul E. Hoover, San Francisco, California
Chairman of the Board, Crocker-Citizens National Bank

Henry A. Montague, Detroit, Michigan
Chairman of the Board, Greyhound Food Management, Inc.

Charles S. Munson, New York, New York
Chairman, Executive Committee, Air Reduction Company, Inc.
Executive Committee Member, The Greyhound Corporation

Theodore S. Petersen, San Francisco, California
Industrialist

Raymond F. Shaffer, Chicago, Illinois
Executive Vice President, The Greyhound Corporation

Hans Stauffer, New York, New York
President, Stauffer Chemical Co.

Harold C. Stuart, Tulsa, Oklahoma
Partner, Doerner, Stuart, Moreland & Saunders, Attorneys at Law

Gerald H. Trautman, Chicago, Illinois
President and Chief Executive Officer, Executive Committee Member,
The Greyhound Corporation

James W. Walker, New York, New York
President, Brady Security and Realty Corporation

Leslie B. Worthington, Pittsburgh, Pennsylvania
President, United States Steel Corporation

Officers—The Greyhound Corporation

Frederick W. Ackerman, *Chairman of the Board*

Gerald H. Trautman, *President and Chief Executive Officer*

Raymond F. Shaffer, *Executive Vice President*

T. Carl Wedel, *Executive Vice President—Finance*

James E. Hawthorne, *Vice President—Marketing*

Verne F. Kelley, *Vice President—Advertising & Public Relations*

Robert O. Lowe, *Vice President & Comptroller*

Peter K. Nevitt, *Vice President—Industrial Relations & Personnel*

George T. Christie, *Secretary*

Ralph C. Batastini, *Treasurer*

Raymond H. Warns, *General Attorney*

Adam P. Sledz, *Assistant to the President*

Carl J. Fleps, *Assistant to the President*

Gregory M. Heine, *Assistant Secretary*

William H. Starling, *Assistant Secretary*

Transportation Services Group

H. Vance Greenslit, *President, Greyhound Lines, Inc., Chicago, Illinois*

E. F. Freeman, *President, Central Division, Greyhound Lines, Fort Worth, Texas*

Cloyd Kimball, *President, Eastern Division, Greyhound Lines, Cleveland, Ohio*

William E. Jones, *President, Southern Division, Greyhound Lines, Lexington, Kentucky*

Ralph E. Thomas, *President, Western Division, Greyhound Lines, San Francisco, California*

Robert L. Borden, *President, Greyhound Lines of Canada Ltd., Calgary, Alberta, Canada*

Robert R. C. Miller, *President, Greyhound Van Lines, Inc., Northlake, Illinois*

Harry Zoltok, *President, Motor Coach Industries Limited, Winnipeg, Manitoba, Canada, and Motor Coach Industries, Inc., Pembina, North Dakota*

C. E. Holderby, *President, Greyhound Highway Tours, Inc., Evanston, Illinois*

J. H. Cohen, *President, The Gray Line, Inc., and California Parlor Car Tours Company, San Francisco, California*

S. O. Kuneman, *President, VAVO-Greyhound, N.V., Schoonhoven, Holland*

Food Services Group

Henry A. Montague, *Chairman of the Board, Greyhound Food Management, Inc., Detroit, Michigan*

William E. Lassiter, *President, Greyhound Food Management, Inc., Detroit, Michigan*

James E. Rather, *President, The Prophet Co., Detroit, Michigan*

John W. Teets, *President, Post Houses, Inc., and Horne's Enterprises, Inc., Detroit, Michigan*

Financial Services Group

D. P. Boothe, Jr., *President, Greyhound Leasing & Financial Corporation, San Francisco, California*

H. Noel Crawford, *Vice President & General Manager, Boothe Leasing of Canada, Ltd., Toronto, Ontario, Canada*

David J. Maundrell, *President, General Fire And Casualty Company, New York, New York*

A. S. Moore, *President, Travelers Express Company, Inc., Minneapolis, Minnesota*

Annual Meeting

The annual meeting of Greyhound stockholders will be held May 17, 1966, at McCormick Place, Chicago, Ill. A formal notice of the meeting, a proxy statement, and a form of proxy will be mailed to stockholders about April 15.

Stock Exchanges

Common stock of the Greyhound Corporation is listed and traded on the New York, Midwest, and Pacific Coast stock exchanges. It also is traded on the Boston, Philadelphia, Baltimore, Detroit, and Cincinnati exchanges. The 4½ per cent cumulative preference stock is listed on the New York and Pacific Coast exchanges and the 3 per cent second cumulative preference stock is listed on the New York, Midwest and Pacific Coast stock exchanges.

Transfer Agents

First National City Bank, *399 Park Avenue, New York, New York 10013*

Continental Illinois National Bank and Trust Company of Chicago, *231 South La Salle Street, Chicago, Illinois 60690*

Crocker-Citizens National Bank, *1 Montgomery Street, San Francisco, California 94120*

Registrars

Morgan Guaranty Trust Company of New York, *30 West Broadway, New York, New York 10015*

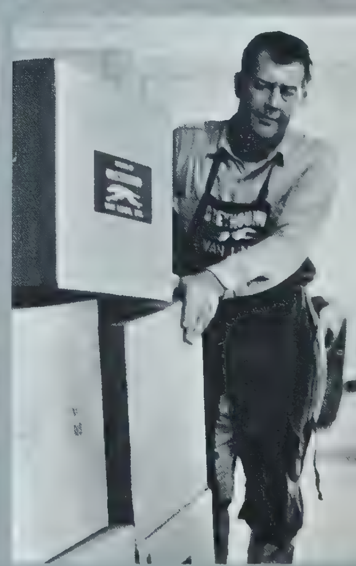
The First National Bank of Chicago, *38 South Dearborn Street, Chicago, Illinois 60603*

Wells Fargo Bank, *464 California Street, San Francisco, California 94120*

Corporate Headquarters

The Greyhound Corporation, *140 South Dearborn Street, Chicago, Illinois 60603*

The Greyhound Corporation, 140 South Dearborn Street, Chicago, Illinois 60603



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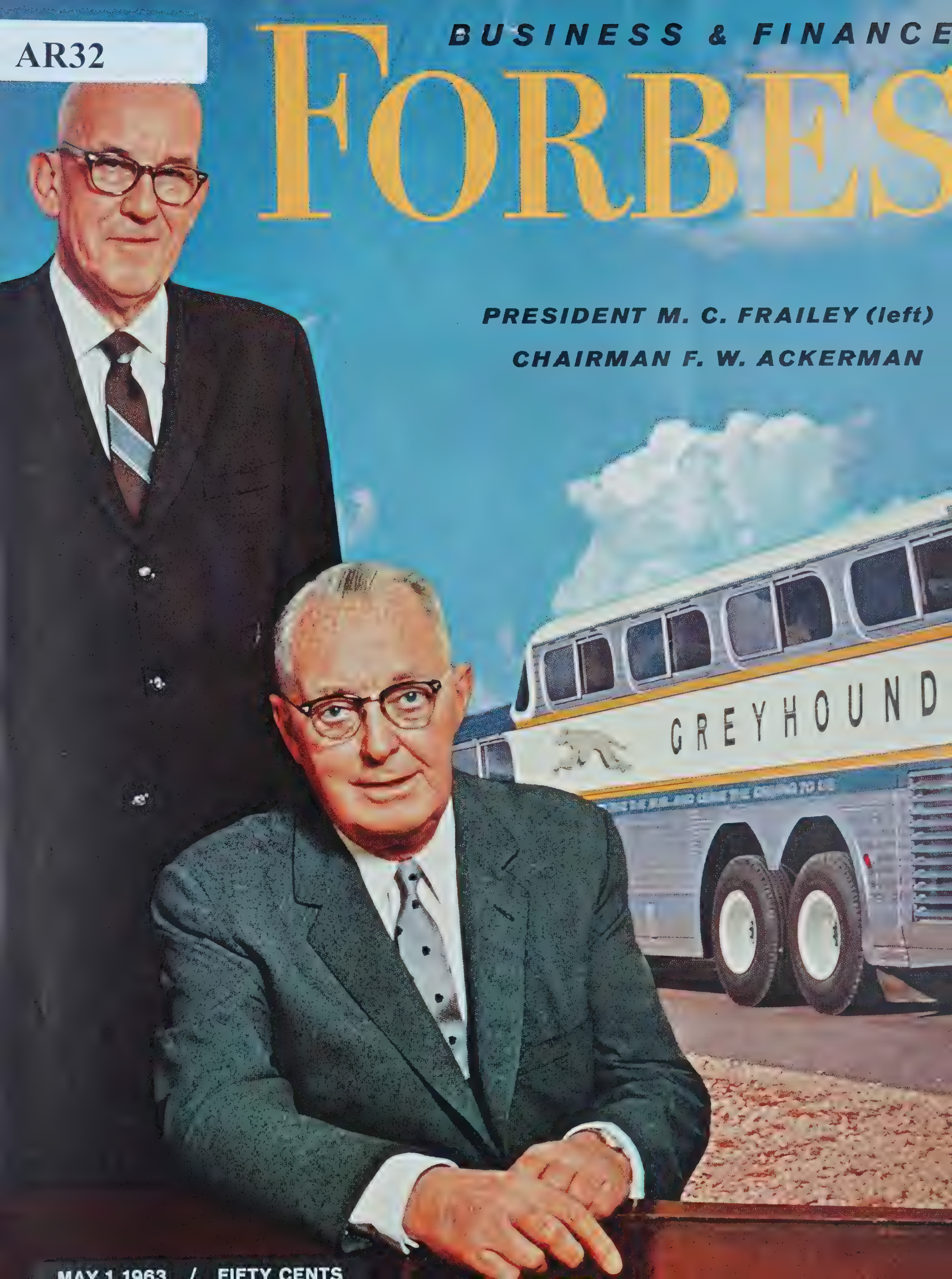
BUSINESS & FINANCE

FORBES

PRESIDENT M. C. FRAILEY (left)

CHAIRMAN F. W. ACKERMAN



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Greyhound Corporation:

THE NICEST KIND OF PROBLEM

Greyhound's bus business is piling up profits at a record-making clip. A major diversification move is working out splendidly. But success is creating a new problem: what to do with growing amounts of spare cash.

THE NICEST KIND of management problem a man can have—and one of the most challenging as well—is having more money than he can readily find new uses for. Rapidly speeding toward this happy dilemma, if they have not already arrived, are Chairman Frederick W. Ackerman and President Melvin C. Frailey of Chicago-based Greyhound Corp.*

Like Its Namesake. Hauling people, as every railroad and many an airline will tell you, is no easy road to riches. But Greyhound's huge nationwide bus system, which carries more human beings from one place to another than any other transportation company in the world, looks as lean, swift and smooth-running as its namesake these days.

The extent of its operations is reflected in a few staggering numbers. Greyhound's fleet of 5,000 buses, operating along 100,000 route miles of highway and byway, transported 104 million passengers and logged a total of 10.1 billion passenger miles last year. By comparison, all the planes operated by all U.S. trunk airlines *combined* carried half as many people (51 million), logged 32 billion passenger miles on domestic routes.

On hauling human beings, Greyhound took in a record $287 million in revenues last year. A "package express" service, which thriftily utilizes spare baggage space on buses to transport small-sized freight, chipped in another $28 million. Feeding a largely captive clientele as they travel by Greyhound bus, a 127-unit chain of strategically located Greyhound Post Houses sold $25 million worth of food (and newsstand items) last year. Bus chartering, a nationwide moving service (Greyhound Van Lines) and other odds and ends added another $21 million.

On this record total revenue of $361 million—the preponderance of people notwithstanding—Greyhound last year extracted profits at a rate few companies in the transportation business can even approach, much less match. At $28 million, or $2.01 per share, total net profit amounted to a whopping 19% return on stockholders' equity.† Among the nation's 50 largest transportation companies, only three of any kind did better last year. Two of them were truckers—all freight, no people. The other was a shipping company—mostly freight, few people. Of the nation's eight largest airlines, two lost money (Eastern and Trans World) and Northwest, most profitable of the other six, realized a 12% return.

Clear of the Banks. Greyhound looks trim these days in other ways. In recent years Greyhound has been generating enough cash to permit Chairman Ackerman and President Frailey to reduce long-term debt a dramatic 65% since 1958. In 1961 they prepaid $11 million in equipment obligations coming due in the next three years, enabling Greyhound to get free of equipment debt to banks for the first time in a quarter of a century.

Between 1958 and 1962 they spent another $10.7 million to buy up and retire two issues of preferred stock, thereby adding $1.7 million in after-tax net for common stockholders that had previously gone to cover preferred dividends. At $34 million today, their long-term debt comes to just 13% of total capital in the business, a trifling amount for the transportation business. American Airlines, for example, takes in only about 30% more revenue, has nearly ten times as much debt. The Baltimore & Ohio Railroad, on roughly the same volume as Greyhound, has nearly 12 times as much debt.

Money is in easy enough supply at Chicago headquarters these days to enable Greyhound to remain clear of banks for some time to come if it wants to. Last year alone, Greyhound spent $22.6 million on new buses, spent another $12 million refurbishing old ones. Many another transport company would have had no choice but to run to the banks to borrow the money. But not Greyhound. For these equipment expenditures last year, Ackerman and Frailey paid cash.

Greyhound can thank a number of obvious factors for its plentiful cash supply. Among the major reasons, surely, is the fact that it has no rights of way to maintain, as the railroads do. Rather, it is the direct beneficiary of vast highway-building programs paid for by one public treasury or another since the war.**

Going Greyhound from New York to Chicago in 1947 took 28 hours. Last month, after nosing its way through Manhattan traffic and the Lincoln Tunnel, a Greyhound Super Scenicruiser bulleted down the New Jersey Turnpike, across the Pennsylvania Turnpike, and up the Ohio Turnpike and the Indiana Toll Road to drop passengers at Randolph Street in downtown Chicago in just 16 hours and 35 minutes for a fare of $26.95. A traveler on the New York Central's Twentieth Century Limited paid $43 for a coach seat, paid $84 for a roomette on the Pennsylvania's crack Broadway Limited, and saved exactly one half hour.

Dollars for Cents. Yet for all such formidable advantages, Ackerman and Frailey can also thank their own hard work for their abundant cash. They run a bus company so big that each quarter-mile more per gallon of diesel fuel means a saving of $1 million per year. Every penny-per-mile less in maintenance expense means a saving of $5 million per year.

Understandably, with so much at stake, they have relentlessly exploited every cost-cutting opportunity available, from cutting low-profit routes to getting more work and better service out of fewer centralized maintenance and repair shops (from 25 to 11 major ones since 1953).

Where a complete bus overhaul in the hands of one all-round mechanic once took anywhere from five to ten days, Greyhound now uses teams of specialists (one man for brakes, another for clutches, etc.), can get a bus in and out of a shop in one day

*Greyhound Corp. Traded NYSE.
Recent price: 37⅝. 1963 Range: 40⅜–31½.
Dividend (1962): $1.10 plus 5% stock. Ind. 1963: $1.30 plus 5% stock.
Earnings per share (1962): $2.01.
Total assets: $257.9 million.
Ticker symbol: GR.

†Over 20%, if $10.6 million in tax and other reserves are excluded from equity.

**Greyhound, to be sure, pays substantial fuel taxes, tolls and other "user charges." Whether Greyhound's (and other highway users') tax load fully offsets benefits received is a hotly debated issue.

flat if need be. Where Greyhound got an average of 87,000 miles per year out of each bus ten years ago, it got over 100,000 miles last year. "Frailey and I have a big advantage over most businessmen," Ackerman observes. "We both began as accountants. We know what our costs are and what they should be."

Such economies, together with the huge benefits Greyhound reaped from the burgeoning highway program, have made a tremendous difference. A decade ago Greyhound needed a fleet of 6,400 buses to handle $244 million in passenger revenues. But it needed only 5,000 buses to bring in last year's $287 million.

Increased efficiency works two separate kinds of magic on a company. First, it means added profit. Second, it reduces—relatively if not absolutely—the demand for capital in the business. "By getting along with 1,400 fewer buses than ten years ago," Ackerman points out, "we have saved more than $50 million in capital—capital that has *not* been needed to buy them."

Enter, Ackerman. Between rising profits and lighter capital needs, Greyhound has become conspicuously well-heeled in remarkably short order. It has performed an almost classic turnaround. As recently as 1958 its debt load was heavy, its dividend coverage thin. Greyhound's per-share earnings had gone nowhere at all over the preceding five years. Worst of all, an abortive and overhasty move to diversify into car-leasing proved a costly flop. Arthur S. Genet, Ackerman's predecessor as top man, tried to crash into the rent-a-car business. In that effort, Genet borrowed so freely that by the start of 1958 long-term debt had reached a worrisome 35% of the total capital in the business. After-tax operating losses on the car-rental business amounted to some $6 million in three years. Alarmed, Greyhound directors forced Genet out.

It was at this point, in 1958, that Ackerman, then head of Greyhound's highly profitable western division, was brought in to head the whole company. A conservative man by nature and an accountant by profession and training, Ackerman set about cleaning up the balance sheet, putting Greyhound's house in order.

He did his job well: Greyhound's earnings per share have nearly doubled since he took the driver's seat. Greyhound common, which ranged between 12½ and 16⅝ in 1958, traded last month at 40⅜, an all-time high. Since 1958 stockholders have received stock dividends totaling 20%.

The upturn at Greyhound continues. In the first quarter of 1963, Ackerman reported last month, earnings jumped 47% (to $3.2 million, or 22 cents a share) on a mere 7% gain in revenues (to $77 million) over the first quarter of 1962.

A Different Kind of Sin? Thus has Ackerman turned Greyhound into a company which cannot but be pleasing to his accountant's critical eye. It is profitable. It has a conservative balance sheet. And it is generating more than enough capital to take care of its own expansion and modernization. But at the same time Ackerman has had to avoid going to the opposite extreme: Where once Greyhound was perhaps stretching its capital too thin, it now faced the prospect of idle capital. To an accountant, keeping idle capital is almost as sinful as trying to scrape by on too little.

The arithmetic of Greyhound's new problem was quite simple. This year Ackerman estimates that his total cash flow will approach $50 million. Outside observers expect Greyhound net to exceed $30 million and depreciation to throw off another $17.5 million in cash in 1963. Common dividends will require $17.5 million. But as of last month, Ackerman's capital spending plans for the year would require little more than half of the remainder.

Greyhound has little reason to build up big amounts of working capital. "We are a cash business," says Treasurer Ralph Batastini. "Our current liabilities consist largely of tickets sold by agents and not yet used by passengers. I wouldn't be too concerned if we had just $1 in current assets for every $1 in current liabilities." As 1963 began, as it happened, Greyhound's current ratio was 1.27 to 1, the lowest since 1957. But at that it was $14 million more than was necessary by Batastini's standard.

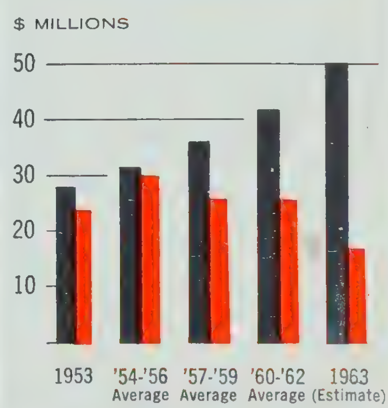
Neither $14 million in spare working capital nor the prospect of some $15 million in retained earnings this year alone is the full measure of Greyhound's resources. On top of everything else, Ackerman has considerable borrowing power. It is largely unused because of fast debt repayments in recent years. And it is growing all the time as the equity in the business mounts. Through an existing line of credit, for example, Ackerman could raise $70 million on his bus fleet tomorrow if he found good uses for it.

Being accountants—and good ones—the men who run Greyhound are not content simply to let capital pile up in the business. Finding good use for all the money at its command is therefore becoming something like a preoccupation at Greyhound's unpretentious headquarters on South Dear-

CASH BUILD-UP

Greyhound's capital expenditures take wide swings from year to year. But averaging out the peaks and valleys, capital expenditures have been trending downward over the past decade while cash flow (net income plus depreciation) has been rising. Thus, more and more cash is becoming available for investment outside the bus business.

CAPITAL EXPENDITURES*
VS. CASH FLOW



*Includes spending for "intangibles" (e.g. good will in an acquisition) but excludes rent-a-car spending and depreciation.

born Street. To flush new investment opportunities, Ackerman in 1961 commissioned Stanford University's Research Institute to study his dilemma. At the same time, to free himself from day-to-day operating cares and devote more time to the search personally, Ackerman, 68, moved up from president to chairman. Frailey, 63, a 34-year Greyhound veteran, took over as president and chief executive.

Old Story, New Hope. Already accounting for half the intercity bus travel in the U.S., Greyhound's most obvious answer—indeed its only answer—is diversification outside the passenger field. Of course, the company has been diversification-minded for a long time. Its "package express," an integral part of the bus business from the start, but heavily promoted only in recent years, is an unqualified success. By some estimates, the added direct overhead costs involved in running this small-freight operation ate up little more than half of the $28 million in revenues last year. "The buses that carry the goods are rolling anyway," President Frailey observes.

And Greyhound's Post Houses, for a long time modest contributors to earnings, are now firmly in hands determined to make a more profitable asset of what has long been merely an adjunct to the passenger business.

An Open Wound. But both these ventures were offshoots of Greyhound's basic bus business. The company's only major move outside that business—car-leasing—had been a traumatic experience.

The man who liquidated the car-rental business, Ackerman today carries around the memory of the chore as if it were an open wound. It has not soured him completely on new ventures, but it has clearly left its mark. "There was nothing wrong with the concept; we just tried to overtake Hertz in one year," he remarked last month. "But you can understand why we are a bit gun-shy." Thus it has made Ackerman, a cautious man to begin with, even more cautious.

"SELL!"

Marketing, the art of getting consumers to buy what a company is able to produce, seems more applicable to, say, cans of soup than to transportation. But Greyhound has discovered that you have to merchandise bus seats no less than cream of chicken. Not until 1961 did Greyhound Corp. set up a full-fledged marketing department to promote the virtues of bus travel. "For a long time," says Chairman Fred Ackerman, "we sat around like a city subway system, letting people come to us."

By present standards, Ackerman believes, Greyhound's advertising efforts through the 1950s were shotgun in approach. In 1957, for example, Greyhound spent about 40% of a $5.5-million advertising budget on a coast-to-coast television program, the "Steve Allen Show." Despite heavy competition on Sunday nights (head-to-head against Ed Sullivan), the Allen show did establish ". . . And leave the driving to us!" as one of the best-known slogans in the nation. But, says Ackerman, the message was delivered in much too broadside a fashion. Greater impact, Ackerman believed, could be gained by localizing the pitch.

The advertising budget has not grown much in dollars since the mid-1950s. But James E. Hawthorne, the veteran (Trans World Airlines, New York Central) travel promotion man who heads the new department, is making his dollars work harder. Instead of costly network shows, Greyhound is now a major sponsor of strictly local news and weather programs (158 in 55 cities), which can sell strictly local promotions.

For the first time, too, Greyhound is appealing directly to traditionally good bus prospects in low-income groups through Negro magazines and Spanish-language radio stations. Marketer Hawthorne is constantly fussing with the distribution of Greyhound's army of 5,200 commission agents—druggists, gas station owners and others who sell Greyhound tickets on commission (generally 10%)—to get them closer to Army camps and college campuses.

With a marketer's keen eye for detail, Hawthorne recently killed a TV spot commercial in which an actress wore jewelry. "Our passengers don't wear jewelry," says he, "at least not expensive jewelry." And he has put every Greyhound employee who comes in contact with passengers through an intensive training course. "I am determined," says he, "that no new passenger shall pass through a sieve of incompetence."

If Greyhound has learned the overriding importance of marketing in the U.S. economy rather late, it has learned its lesson well.

Simple caution goes a long way to explain why Greyhound, despite steadily growing amounts of cash and credit, has made just one diversification move since the car-rental adventure. In early 1962, for $14.7 million (par value) in a new issue of preferred stock, Ackerman acquired San Francisco-based Boothe Leasing Corp., a pioneer in the industrial leasing business.

The deal is working out well. The $864,000 in after-tax net Boothe contributed to Greyhound's total net last year was more than enough to cover dividends on the Greyhound preferred used to pay for it. And Boothe, growing at an impressive rate when Greyhound bought it, has been growing even faster since then. "As an independent, we acquired $16 million worth of revenue-producing equipment in 1961," says D. Power Boothe Jr., who founded the company in 1954 and still runs it for Greyhound. "But as a part of Greyhound, we added $32 million last year—a growth rate of 100%. And where we would have expected to add $25 million worth in 1963, we project $50-$60 million."

Greyhound's formidable capital resources helped bring this about. On the strength of a $5-million long-term loan from Greyhound, Boothe was able to raise another $25 million in short-term bank loans last year. This paid for the $32 million in new equipment Boothe put out on lease in 1962.

Teamwork. Boothe's capital needs, moreover, neatly coincide with at least part of Greyhound's capital surpluses. Boothe is almost always borrowing short-term money, normally paying prime bank rates. From time to time during the year, Greyhound's surplus cash rises far beyond any real need. These seasonal surpluses are normally invested in low-yield, short-term securities. But now Greyhound lends its funds to Boothe at one-half of 1% less than bank prime rates. Still, this is one point more than Greyhound was getting on its former short-term investments. During the nine months it owned Boothe last year, Greyhound repeatedly lent Boothe short-term money (up to $35 million at one point) and wound up earning $100,000 more on its short-term investments than in 1961.

The 7% investment tax credit passed by Congress last year, after the Boothe acquisition, gave an added kicker to the deal. As yet, Boothe's own income tax bill is far smaller than the amount of benefits available to it under the law. Although its $32-million investment in new equipment last year theoretically entitled Boothe to a tax credit of $1.4 million, Boothe had a total income-tax liability of just

$853,000, therefore could use only $215,000 of its tax credit under the 25% limit. But Greyhound's tax bill came to $30.5 million, and Greyhound, by filing a consolidated tax return, accordingly made good use of the rest.

Still Cash to Spare. At his current rate of growth, Boothe figures he will approach Greyhound for some $5 million in long-term loans every 18 months or so for some time to come. But at the rate Greyhound is building up its cash flow, Ackerman will still have plenty of cash to spare for other ventures. If anything, assuming all goes well, Boothe may be scouting for new outlets for its own cash in time. "After all," says Boothe, "we already have a net cash flow of $20 million a year ourselves."

The exceptional promise shown by the Boothe acquisition is no reason to think Ackerman will make other acquisitions in a hurry. For the Boothe acquisition itself was an exceptional deal, brought off under exceptional circumstances. Ackerman, after all, knew *exactly* what he was getting. He had been a director of the company for four years before he bought it. Even that might not have been enough had it not been for Boothe's willingness to put $750,000 worth of his preferred stock in escrow as security for his staying on the job and running the company for five years. Said Ackerman last month, explaining his insistence on that provision: "In five years we figured we could learn the business."

Above all things, Ackerman prizes knowhow. He is distinctly leery of tackling a business he doesn't feel at home in. "I cannot be dependent upon one man no matter how brilliant he is or how sweet a deal I can make," says he. "A man could get mad, or die. That would leave me with a very bad management situation."

Sources and Possibilities. Thus, it is scarcely surprising that to date, although equipment leasing was only one of a number of possible diversification moves doped out by the Stanford Research Institute for Greyhound, it is the only move Ackerman has made. Stanford's list is a long one: consumer finance, auto parts, trucking, vending machines, an airline, automobile parking, vehicle maintenance, even mail-order retailing.

Ackerman himself has thought of other possibilities. "We made $200,000 selling travel insurance last year," he says. "Why not offer life insurance? We start where most people end—with a distribution system. We are in every town and hamlet with 5,200 commission agents selling bus tickets. Only five $10,000 policies per agent amounts to writing $260 million worth of life insurance a year."

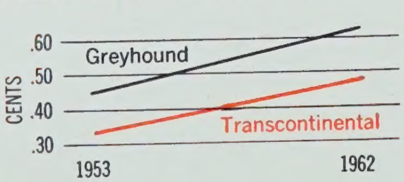
Another source of ideas is Greyhound's board of directors. The board includes men with far-ranging interests and contacts like Paul E. Hoover, chairman of San Francisco's Crocker-Anglo National Bank; J. Patrick Lannan, chairman of Chicago's Susquehanna Corp. and Herbert G. Wellington, senior partner of the Wall Street

GREYHOUND vs. TRAILWAYS

OF THE nation's 1,500-odd intercity bus companies, only one out of ten grosses more than $200,000 a year in revenues. Of these, only Dallas' Transcontinental Bus System—known to the public as Continental Trailways—even remotely approaches Greyhound in size. Transcontinental has barely more than half as many route miles as Greyhound (52,000 *vs.* 100,000), one-sixth the gross revenues ($57 million), less than one-sixth the assets ($40 million).

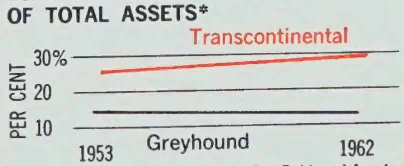
But under the steady hand of President Maurice E. Moore, Transcontinental, too, makes a good thing of the bus business. It does so despite the fact that Moore operates at a clear disadvantage in one crucial respect: Few of his routes cover the populous Atlantic seaboard and Northeast, areas of heavy traffic and relatively high fares. Thus, Transcontinental's load factor (*i.e.*, percentage of seats occupied) was just 40% last year (*vs.* Greyhound's 55%), and Transcontinental got far less revenue per bus-mile operated:

REVENUE PER BUS-MILE



But Transcontinental gets mileage of a different sort. Compared with Greyhound, President Moore's Transcontinental has consistently made heavier use of debt. Where Greyhound owes no money at all to banks on equipment obligations, Transcontinental owes $9.7 million. Where Greyhound's debt has been declining in recent years, Transcontinental's has been increasing. In fact, Transcontinental's total long-term debt now amounts to some 28% of the total capital in the business, more than twice Greyhound's debt ratio:

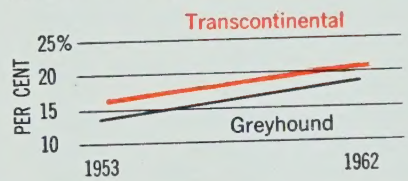
LONG TERM DEBT AS % OF TOTAL ASSETS*



*Excludes Greyhound's Rent-a-Car Debt and Assets

Debt, of course, means leverage. In 1957 (a typical year, undistorted by strikes or abnormal weather), interest charges alone ate up 25% of Transcontinental's $1.4 million in net operating income. In subsequent expansion, Moore depended heavily on borrowed capital, paid nearly twice 1957's interest on long-term debt in 1962 ($764,000). But operating profits more than trebled over the same period. Minor bookkeeping differences make exact comparisons difficult, but Moore's more liberal use of debt has clearly and consistently enabled him to show a fatter return on stockholders' equity, although Greyhound's in recent years has been improving:

RETURN ON BOOK VALUE



Largely because it depreciates buses faster, Transcontinental's operating expenses plus depreciation do eat up 88.6% of Transcontinental's gross revenues (*vs.* 82.7% of Greyhound's). And because Greyhound gets more revenue per bus mile, it will not be easy for Transcontinental to do something about that in a hurry. But Moore is determined to do something about it nonetheless. Says he: "We have not only to run a better bus company, but a different one." So Moore is promoting heavily—guaranteed reservations, food on board, baby-bottle warmers, children's games, even hostesses. Presumably playing from strength, Greyhound has not yet bothered with these things.

investment house of Wellington & Co.

Two years ago, Wellington brought a discount retailer to Ackerman's attention. "What that outfit has done since then is fantastic," Ackerman recalled last month, "but after a week I turned it down." His reason was predictable: "We don't know anything about the business."

Ackerman has found good reason to stay out of other, far more plausible possibilities. Consumer finance? Says he: "We'd be right back where we started, trying to find uses for capital. Everyone in that field is scrambling, and everyone else is going into it now that the banks, credit unions and captive finance companies have taken away so much of the auto market." Trucking? Greyhound, which has not experienced a major strike in a decade, would prefer not to go looking for labor trouble. Says Ackerman: "We fear that a trucking dispute could spill over into the passenger business."

No Solution Yet. All of the foregoing adds up to the fact that Ackerman and his directors have not yet solved the problem of what to do with their mounting cash. Fortunately, the problem is not urgent. In the bus business proper, Greyhound is moving ahead more confidently than ever. Ackerman and Frailey will pour $7 million into an exhibit and a restaurant at the New York World's Fair in 1964 and 1965, and into eye-catching vehicles to haul passengers over the 646-acre fairgrounds.

Even if they only break even on that promotional (not capital) investment, they will be quite content: World's Fairs are splendid traffic boosters. Passengers to and from the Seattle World's Fair were a significant factor in Greyhound's showing a 10% jump in total passenger miles last year and a gain of 2.4% (to 55%) in Greyhound's load factor (*i.e.*, percentage of available seats occupied). "A gain of just one point can add $5 million in operating revenues," says Frailey. "The gain last year was worth $12 million to us with rather little added cost. It was largely gravy." Greyhound won't speculate on just how much added revenue the New York World's Fair might bring in, but they seem to be sure New York will prove an even bigger lure than Seattle. Says Ackerman: "The next two years, 1964 and 1965, could be the biggest years in our history."

For such reasons, Greyhound's pursuit of new uses for spare cash seems likely to grow keener. All things considered, it is a nice sort of problem to have. But for the careful men at Greyhound's wheel, it will be an uncommonly challenging one.

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